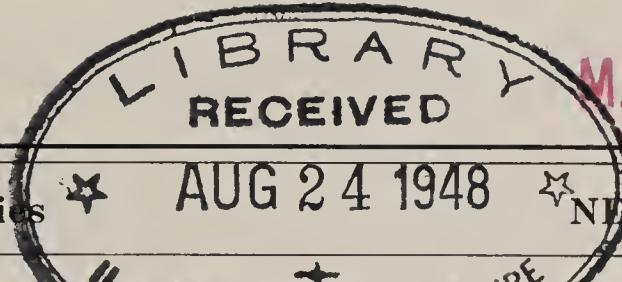


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UNITED STATES DEPARTMENT OF AGRICULTURE
DEPT. OF AGRICULTURE AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

1939 A. A. A. FARM PROGRAM

NORTHEAST REGION

CIGAR-TOBACCO ADJUSTMENT THROUGH THE A. A. A.

Type 41, Pennsylvania Seedleaf, grown in Pennsylvania.

Type 51, Connecticut Valley Broadleaf, grown in Connecticut and Massachusetts.

Type 52, Connecticut Valley Havana Seed, grown in Connecticut, Massachusetts, New Hampshire, and Vermont.

Type 53, New York Havana Seed, grown in New York and Pennsylvania.

The Agricultural Adjustment Act of 1938 provides two methods by which cigar tobacco producers may maintain the supply of tobacco in balance with consumption demands: First, the acreage allotments set up by the county committees under the Agricultural Conservation Program will provide, under normal circumstances, for production of a crop which will maintain the supply at a normal relationship to the amount used; and second, if the total supply becomes excessive, that is, more than 5 percent above the normal supply level, producers may establish quotas to limit the amount of tobacco marketed.

The Agricultural Conservation Program is a voluntary program and the extent to which producers participate in the program and grow the acreage allotments established for their farms determines the degree to which the supply will be kept in line with the demand. There are other factors, such as the weather, which will affect the supply, but general participation on the part of the producers in growing the acreage allotments established for their farms will aid in keeping the supply adjusted so that there would be no need of having marketing quotas.

The largest total financial return to producers over a period of years will undoubtedly be obtained by growing each year the acreage allotment established for their farms. To the extent that producers anticipate a high price and grow an acreage in excess of the acreage allotments established for their farms, the supply will be thrown out of the normal relationship to consumption and the acreage allotments for future years will need to be decreased. If too little is grown, the acreage allotments for future years will need to be larger.

Some of the factors of the present situation as it applies to types 41, Pennsylvania Seedleaf; 51, Connecticut Valley Broadleaf; 52, Connecticut Valley Havana Seed; and 53, New York Havana Seed are as follows:

CONSUMER DEMAND

The demand for cigar tobacco comes from its use as a wrapper, binder, and filler in the manufacture of cigars, and for use in the production of scrap chewing tobacco. The long-time trend in the production of both cigars and scrap chewing tobacco is downward.

CIGARS

- 1920—All-time high record production of 8 billion cigars.
- 1929—Production declined to 6.5 billion cigars.
- 1933—Depression low, 4.3 billion cigars.
- 1937—Production recovered to 5.3 billion cigars.
- 1938—Slight reduction to an estimated 5.1 billion cigars.

Summary.—The trend of cigar consumption has been downward since 1920, with a decided drop during the depression. During the 4 years 1934–37 about one-half the decrease of the preceding 4 years, 1930–33, was recovered.

Prospects.—A somewhat larger production is expected in 1939, probably between 5.1 and 5.3 billion cigars.

SCRAP CHEWING

- 1926—All-time peak production of 80 million pounds.
- 1934—Production declined to a depression low point of 44 million pounds.
- 1937—Production recovered to 45.6 million pounds.
- 1938—Reduction to 44.5 million pounds.
- 1939—Estimated production approximately 45 million pounds.

CIGAR TOBACCO SUPPLY

The price of cigar-leaf tobacco is affected by the supply and quality as well as by the consumption. Supply consists of the stocks of cigar-leaf tobacco in the hands of dealers and manufacturers, any carry-over on farms, plus the farm production for the year. Low consumption without an equal decrease in production during the depression resulted in an accumulation of more than a 5-year supply of Pennsylvania Seedleaf, nearly a 5-year supply of Connecticut Valley Broadleaf and Havana Seed, and a 4½-year supply of New York Havana Seed. Prices dropped to nearly half of parity: Type 53 averaged 4 cents per pound in 1932; type 41, 5 cents; and types 51 and 52, 10 cents.

The reduction of acreage under the programs for the years 1933, 1934, and 1935 brought about a better relationship between supply and consumption. The result has been price improvement for all four types—41, 51, 52, and 53. Pennsylvania type 41 has averaged over 10 cents per pound for the past 3 years, or less than 1 cent short of the parity price for those years. Broadleaf and Havana Seed recovered to an average of 19 cents for 1936, but damage to a considerable portion of each of the last two crops brought the average price for 1937 down to 16 cents, and the price for 1938 down to a reported average of about 15 cents. New York Havana Seed has averaged better than 10 cents for the past three seasons.

There was a supply of 137 million pounds of type 41 on October 1, 1938. The supply of types 51 and 52 was about 75 million pounds and the supply of type 53 was 1.9 million pounds. The supply of types 51 and 52 was decreased several million pounds by the destruction of tobacco in the hurricane of September 1938.

**ESTIMATED NUMBER OF YEARS' SUPPLY, PRODUCTION, PRICE, AND VALUE OF
TOBACCO—1932-38**

Type and year	Estimated number of years' supply ¹	Production	Price		Farm value including Government payments	Value at parity price
			Farm	Parity		
Type 41:						
	Years	Million pounds	Cents	Cents	Thousands of dollars	Thousands of dollars
1932	5.6	46	5	9	2,156	4,140
1933	5.3	21	5	10	1,610	2,100
1934	4.8	21	9	11	3,104	2,310
1935	4.6	28	11	11	3,962	3,080
1936	4.1	33	11	11	4,087	3,630
1937	3.8	29	10	11	3,078	3,190
1938 ²	3.8	32				
Types 51 and 52:						
1932	4.7	33	10	17	3,325	5,610
1933	4.8	21	11	20	2,843	4,200
1934	4.3	15	16	21	4,243	3,150
1935	3.8	17	18	21	4,510	3,570
1936	3.4	21	19	22	4,409	4,620
1937	3.2	24	16	21	3,932	5,040
1938 ²	2.8	³ 14				
Type 53:						
1932	4.4	2.5	4	14	88	350
1933	4.5	1.0	4	16	81	160
1934	3.5	.4	8	17	84	68
1935	2.8	.7	10	16	122	112
1936	2.4	1.1	11	17	127	176
1937	2.3	1.5	10	17	155	255
1938 ²	2.5	1.9				

¹ Includes production shown in next column.

² Preliminary.

³ Excluding tobacco destroyed by hurricane.

A portion of the tobacco is not usable for manufacturing cigars, but is used for scrap chewing and other purposes. Stocks of the cigar grades were at their highest point in 1933. At the present time stocks of these grades for types 41, 51, and 52 are approximately the same as they were in 1930.

COMPETING TYPES

BINDER

Connecticut Valley Broadleaf and Havana Seed have provided about three-fourths and Wisconsin types 54 and 55 about one-fifth of the tobacco used for binders in recent years. The prices for the latter two types were relatively high during 1936 and 1937, and the acreage increased from 18,800 in 1937 to 25,000 in 1938. The supply, which had decreased from 170 million pounds in 1932 to 104 million pounds in 1937, increased to 111 million pounds in 1938. The market for the lower grades of types 54 and 55 has been unsatisfactory, and little of this tobacco had been sold by May 1, 1939. There is a high percentage of the lower grades in the present supply of these two types. This is true also of the Connecticut Valley Broadleaf and Havana Seed.

Small quantities of binders are also obtained from other types, such as 41, 53, 61, and 81.

FILLER

Pennsylvania Seedleaf has provided approximately two-fifths of the filler for cigars in recent years. The other important types used for filler in domestic cigars are Puerto Rico, which supplies one-fifth;

the Ohio types, which supply one-seventh; and Cuba, which supplies about one-eighth of the filler.

The amount of Puerto Rican, type 46, shipped to continental United States varies with the demand for it. Shipments have increased from a low point of 22.7 million pounds in 1932 to 34 million pounds in 1936 and in 1937. The stocks of this type of tobacco in continental United States and Puerto Rico on October 1, 1938, were approximately 67 million pounds. This represents an increase over 1936 and 1937, when the stocks were 59 and 62 million pounds, respectively.

The acreage and production of the Ohio types 42, 43, and 44 in recent years have been about half of what they were before the depression. The price of these types has not been as near parity as has the price of Pennsylvania Seedleaf. Should the price approach parity, it seems probable that it would encourage an increase in acreage.

Cuban tobacco is used mostly in the higher-priced cigars and as a blend for the lower-priced cigars. The amount imported depends largely upon the demand for it in the production of cigars.

There has been an increase in the use of scrap in the production of cigars. This is associated with the increase in the number of cigars selling at less than 5 cents. A considerable quantity of scrap comes from the Philippines.

ALLOTMENTS

Supplies of binder and filler appear to be in fairly good relation to consumption for cigar purposes. Without an increase in cigar consumption, the acreage of these types should not be substantially increased. Allotments of acreage for these types are established in order that the supply may be kept in line with consumption. If the acreage grown is kept within the allotment, sufficient tobacco should be produced at normal yields for a year's normal consumption.

Acreage allotments for 1939 for cigar-leaf tobacco, by States, are given below:

	<i>Acreage allotments</i>
Types 51 and 52:	
Connecticut-----	12,051
Massachusetts-----	4,961
New Hampshire-----	47
Vermont-----	35
Total-----	17,094
Type 53: New York-----	1,087
Types 41 and 53: Pennsylvania-----	¹ 26,532
Types 54 and 55:	
Wisconsin-----	24,887
Minnesota-----	760
Illinois-----	20
Total-----	25,667
Types 42, 43, and 44:	
Ohio-----	17,487
Indiana-----	133
Total-----	17,620
TOTAL ACREAGE ALLOTMENT-----	88,000

¹ A small part of the Pennsylvania allotment is for type 53 grown in Pennsylvania.

The allotment for Puerto Rico for the crop year 1938-39 was 30,000 acres. The allotment for 1939-40 will be determined some time prior to the beginning of the crop year, September 1.